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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS COLLECTIVE AMEMBASSY TRIPOLI

UNCLAS STATE 024345

PLEASE PASS TO ALL COMS, USAID MISSION DIRECTORS, AGENCY
HEADS, COUNTRY TEAM

C O R R E C T E D C O P Y (ADDING CLEARANCE)

E.O. 12958: N/A

TAGS: AADP, EAID

SUBJECT: FY 2008 FOREIGN OPERATIONS CONGRESSIONAL BUDGET JUSTIFICATION

1. THIS CABLE IS TO INFORM YOU OF THE SUBMISSION OF THE ADMINISTRATION'S FISCAL YEAR (FY) 2008 INTERNATIONAL AFFAIRS CONGRESSIONAL BUDGET JUSTIFICATION (CBJ)-THE FIRST JOINT DEPARTMENT OF STATE/USAID CBJ SUBMITTED UNDER FOREIGN ASSISTANCE REFORM EFFORTS. IT ALSO PROVIDES INFORMATION ON KEY RESOURCES AND POINTS OF CONTACT IN THE OFFICE OF THE DIRECTOR OF FOREIGN ASSISTANCE FOR QUESTIONS RELATED TO THE FOREIGN OPERATIONS PORTION OF THE REQUEST.

FIRST-EVER CONSOLIDATED FOREIGN ASSISTANCE BUDGET REQUEST

2. ON FEBRUARY 5, 2007, PRESIDENT BUSH SUBMITTED TO CONGRESS FIRST-EVER CONSOLIDATED INTERNATIONAL AFFAIRS CONGRESSIONAL BUDGET JUSTIFICATION (CBJ) THE FIRST BUDGET BUILT UNDER THE SECRETARY'S FOREIGN ASSISTANCE REFORM EFFORTS. THE FY 2008 INTERNATIONAL AFFAIRS CONGRESSIONAL BUDGET JUSTIFICATION REPRESENTS DEPARTMENT OF STATE AND USAID DECISIONS MADE ON THE BASIS OF THE SHARED GOAL OF HELPING TO BUILD AND SUSTAIN DEMOCRATIC, WELL-GOVERNED STATES THAT RESPOND TO

THE NEEDS OF THEIR PEOPLE, REDUCE WIDESPREAD POVERTY, AND CONDUCT THEMSELVES RESPONSIBLY IN THE INTERNATIONAL SYSTEM. AS SUCH, IT REFLECTS A TREMENDOUS AMOUNT OF WORK AND CONTRIBUTIONS FROM MISSIONS AROUND THE WORLD, WHICH WE GREATLY APPRECIATE.

3. THE COLLABORATION REPRESENTED IN THE FY 2008 CBJ IS A BIG STEP FORWARD UNDER REFORM. IN THE PAST, THE DEPARTMENT OF STATE AND USAID DEVELOPED INDIVIDUAL FOREIGN ASSISTANCE BUDGET REQUESTS, SUBMITTED THROUGH SEPARATE PROCESSES. THIS YEAR, THE CREATION OF A FIRST-EVER COMBINED DEPARTMENT OF STATE-USAID BUDGET, PAIRED WITH THE NEED TO DEVELOP FY 2007 AND FY 2008 SUPPLEMENTAL REQUESTS TO MEET URGENT NEW FOREIGN ASSISTANCE NEEDS IN AFGHANISTAN, IRAQ, LEBANON, SOMALIA, AND SUDAN REQUIRED US TO HARMONIZE TWO DISPARATE BUDGET PROCESSES AND ESSENTIALLY DEVELOP FOUR BUDGET REQUESTS AT THE SAME TIME. THESE INCLUDE THE FY 2007 SUPPLEMENTAL, THE FY 2008 REQUEST, THE FY 2008 GLOBAL WAR ON TERROR EMERGENCY REQUEST AND, BECAUSE CONGRESS HAD NOT YET ENACTED THE FY 2007 BUDGET SIGNED BY PRESIDENT BUSH ON FEBRUARY 15, A CONTINUING RESOLUTION REQUEST FOR FY 2007.

THE NEW CONGRESSIONAL BUDGET JUSTIFICATION

4. THE SUMMARY & HIGHLIGHTS VOLUME FOR THE FY 2008 CONGRESSIONAL BUDGET JUSTIFICATION (CBJ) IS AVAILABLE ON THE INTERNET ([HTTP://WWW.STATE.GOV/F/BUDGET/](http://www.state.gov/f/budget/)) FOR YOUR REVIEW. THE FULL CBJ, AN OVERALL FACT SHEET ON THE BUDGET, AND A DESCRIPTION OF THE NEW CBJ FORMAT, ARE ALSO AVAILABLE ON THIS SITE.

5. THERE ARE SEVERAL CHANGES TO NOTE. FIRST, WE ARE ATTEMPTING TO ACHIEVE A HIGH LEVEL OF TRANSPARENCY WITH REGARD TO HOW STRATEGIC CHOICES IN RESOURCE ALLOCATION WERE MADE. AS PART OF THAT EFFORT, PAGES 5-12 OF THE CBJ SUMMARY & HIGHLIGHTS VOLUME CONTAIN A NEW OVERVIEW SECTION THAT IDENTIFIES THE PRINCIPLES BY WHICH THE FOREIGN ASSISTANCE BUDGET WAS CONSTRUCTED. THESE PAGES ALSO CONTAIN SUMMARIES OF REGIONAL PRIORITIES AND SOME MACRO- LEVEL ANALYSIS.

6. THE FOREIGN ASSISTANCE STRATEGIC FRAMEWORK PROVIDED ON PAGE 13 OF THE CBJ SUMMARY & HIGHLIGHTS VOLUME REFLECTS A REVISED TRANSFORMATIONAL DIPLOMACY GOAL, WHICH NOW INCLUDES THE WORDS "REDUCE WIDESPREAD POVERTY." THIS REVISION REFLECTS THE CONTINUED IMPORTANCE THE USG PLACES ON THIS PRIORITY AND IS CONSISTENT WITH U.S. POLICY, ADDRESSING CONCERNS EXPRESSED BY SOME IN CONGRESS AND OTHER STAKEHOLDERS ABOUT ENSURING THAT POVERTY REDUCTION REMAIN A FOCUS OF OUR FOREIGN POLICY AND OUR FOREIGN ASSISTANCE REQUESTS.

STRATEGIC CHOICES IN A RESOURCE-CONSTRAINED ENVIRONMENT

7. THE FY 2008 FOREIGN OPERATIONS REQUEST IS \$20.3 BILLION, AN INCREASE OF 12 PERCENT OVER THE FY 2006 ENACTED BUDGET. THIS REPRESENTS THE LARGEST PERCENTAGE INCREASE AMONG U.S. GOVERNMENT AGENCIES. IN MATERIAL TERMS, THE BUDGET HAS INCREASED BY \$2.2 BILLION OVER FY 2006 ENACTED LEVELS. WITHIN THIS INCREASE OF \$2.2 BILLION, HOWEVER, STATE AND USAID REQUESTED \$3.4 BILLION IN NEW PROGRAMS. DIFFICULT CHOICES HAD TO BE MADE. ULTIMATELY, THE FY 2008 REQUEST REPRESENTS A STRATEGIC REALLOCATION OF APPROXIMATELY \$4.5 BILLION WITHIN THE BUDGET FROM WHERE RESOURCES WOULD HAVE BEEN ALLOCATED UNDER BUSINESS-AS-USUAL PRACTICES. EXCLUDING MONIES FOR HIV/AIDS, THIS REPRESENTS A SHIFT OF ABOUT ONE-THIRD OF THE FOREIGN OPERATIONS REQUEST.

8. IN MAKING THESE DIFFICULT TRADE-OFFS, WE WERE AIDED THIS YEAR BY COLLABORATIVE PLANNING UNDER FOREIGN ASSISTANCE REFORM PROCESSES. DECISIONS WERE MADE ON THE BASIS OF COLLABORATIVE AND COORDINATED PLANNING AMONG STATE AND USAID COLLEAGUES; FULL INFORMATION ABOUT RESOURCES AVAILABLE TO ADVANCE OUR OBJECTIVES; AND WITH EXCEPTIONAL EXPERTISE REPRESENTED. AGAIN, WE THANK AMBASSADORS, USAID MISSION DIRECTORS, AND COUNTRY TEAMS IN THE FIELD FOR THEIR PATIENCE AND CONTRIBUTIONS TO THIS YEAR'S BUDGET FORMULATION PROCESS.

FY 2008 BUDGET BUILT ON SIX PRINCIPLES

9. THE COMPONENTS OF THIS BUDGET ARE INTRICATELY INTERTWINED, BASED ON SIX KEY PRINCIPLES DESCRIBED IN PARAGRAPHS 10-15 BELOW.

10. INTEGRATED PLANNING BASED ON THE TOTALITY OF U.S. GOVERNMENT RESOURCES: IN BUILDING THE FY 2008 BUDGET, PLANNING WAS INTEGRATED, SEEKING THE MOST COMPLETE PICTURE OF U.S. ACTIVITIES AND PROGRAMS BY COUNTRY AND REGION. TO THAT END, INTERAGENCY TEAMS WERE ASSEMBLED AND TASKED WITH ENSURING THAT RESOURCES WERE COORDINATED, MUTUALLY SUPPORTIVE, TARGETED TO THE ACHIEVEMENT OF SHARED OBJECTIVES, AND ABLE TO MAXIMIZE EXISTING U.S. INVESTMENTS. FOR FY 2008, THESE RESOURCES INCLUDED ALL PROGRAMS AND ACTIVITIES UNDER THE AUTHORITY OF THE SECRETARY OF STATE AND DIRECTOR OF U.S. FOREIGN ASSISTANCE, IN COORDINATION WITH RESOURCES MANAGED BY THE MILLENNIUM CHALLENGE CORPORATION (MCC).

11. MAXIMIZED COUNTRY PROGRESS: IN THE PAST, RESOURCES WERE FIRST ALLOCATED BY ACCOUNT, THEN BY SECTOR, AND FINALLY BY COUNTRY. THE FY 2008 BUDGET PROCESS REVERSED THAT ORDER, BEGINNING WITH ALLOCATIONS TO COUNTRIES, THEN TO THE MOST IMPACTFUL INTERVENTIONS, AND THEN TO ACCOUNTS. DECISIONS REFLECT A FOCUS ON THE SPECIFIC GAPS AND OBSTACLES COUNTRIES FACE IN MOVING FROM ONE COUNTRY CATEGORY TO ANOTHER, AND THE IDENTIFICATION OF THE TARGET OBJECTIVE OR OBJECTIVES APPROPRIATE TO THE INDIVIDUAL COUNTRY CONTEXT. THE ULTIMATE INTENT IS TO SUPPORT RECIPIENT COUNTRY EFFORTS TO MOVE FROM A RELATIONSHIP DEFINED BY DEPENDENCE ON TRADITIONAL FOREIGN ASSISTANCE TO ONE DEFINED BY FULL SUSTAINING PARTNERSHIP STATUS.

12. INVESTMENT IN STATES CRITICAL TO LONG-TERM REGIONAL STABILITY AND PROSPERITY: 51 PERCENT OF STATE AND USAID PROGRAM ASSISTANCE RESOURCES ARE CONCENTRATED IN REBUILDING AND DEVELOPING COUNTRIES. THESE COUNTRIES ARE FARTHEST AWAY FROM ATTAINING AND SUSTAINING PARTNERSHIP STATUS AS INDICATED BY MEASUREMENTS OF INSTABILITY, POVERTY, HUMAN CAPACITY, LIFE EXPECTANCY, GOVERNANCE, AND BARRIERS TO ECONOMIC GROWTH AND ARE CRITICAL BARRIERS TO REGIONAL STABILITY AND SUCCESS IN THE GLOBAL WAR ON TERROR. THE DEMOCRATIC REPUBLIC OF THE CONGO, LIBERIA, SOMALIA, SUDAN, AFGHANISTAN, IRAQ, COLOMBIA, HAITI, AND KOSOVO ARE EXAMPLES OF STATES THAT, WITHOUT PROGRESS, WILL HAVE A NEGATIVE IMPACT ON REGIONAL STABILITY AND NATIONAL SECURITY. ADDITIONALLY, WITH CONTINUED PROGRESS, DEVELOPING STATES SUCH AS NIGERIA, UKRAINE, GEORGIA, PAKISTAN, JORDAN, AND INDONESIA AND SUSTAINING PARTNERSHIP COUNTRIES LIKE SOUTH AFRICA REPRESENT THOSE THAT CAN SERVE AS ANCHORS FOR REGIONAL STABILITY AND PROSPERITY.

13. FOCUS ON DEMAND-DRIVEN INTERVENTIONS THAT ARE CRITICAL LEVERS FOR SUSTAINABLE PROGRESS AND TRANSFORMATION: THE COUNTRY-DRIVEN PROCESS INCREASED FUNDING TO PROGRAMS TARGETED TO IMPROVING GOVERNANCE AND DEMOCRATIC PARTICIPATION; MITIGATING DISEASES THAT THREATEN THE HUMAN AND ECONOMIC CAPACITY OF COUNTRIES TO PROGRESS ON THEIR OWN; EXPANDING ACCESS TO AND IMPROVING THE

QUALITY OF EDUCATION; AND ENHANCING ECONOMIC OPPORTUNITY AND SKILLS TO PARTICIPATE IN THE GLOBAL ECONOMY. TOGETHER, IN FY 2008, THE THREE OBJECTIVES TARGETED TO ACHIEVING LONG-TERM DEVELOPMENT PROGRESS (GOVERNING JUSTLY AND DEMOCRATICALLY, INVESTING IN PEOPLE, AND ECONOMIC GROWTH) INCREASED BY 19 PERCENT OVER FY 2006 LEVELS FOR THESE OBJECTIVES. WHEN PROJECTED FY 2008 MCC DISBURSEMENTS ARE CONSIDERED, INVESTMENTS IN THESE OBJECTIVES INCREASED BY 29 PERCENT OVER FY 2006.

14. ALLOCATE COUNTRY PROGRAM FUNDS TO BILATERAL COUNTRY BUDGETS: TO ENSURE A COORDINATED RESPONSE WITH EFFECTIVE AND SUSTAINABLE IMPACT, WE SOUGHT TO MAXIMIZE ALL RESOURCES IMPLEMENTED AT THE COUNTRY LEVEL WITHIN COUNTRY BUDGETS. RESOURCES WITHIN GLOBAL OR REGIONAL BUDGETS ALLOCATED TO SPECIFIC COUNTRIES WERE ACCORDINGLY SHIFTED TO COUNTRY PROGRAMS AND PLANNED TOGETHER WITH OTHER BILATERAL SUPPORT. RECOGNIZING THAT NOT ALL FOREIGN ASSISTANCE IS IMPLEMENTED ON A BILATERAL BASIS, AND THAT SOME ISSUES ARE BEST ADDRESSED AS PART OF A GLOBAL OR REGIONAL STRATEGY, THE FOREIGN ASSISTANCE FRAMEWORK INCLUDES A CATEGORY FOR GLOBAL AND REGIONAL INITIATIVES, DEFINED AS THOSE ACTIVITIES THAT TRANSCEND A SINGLE COUNTRY'S BORDERS. SUCH ACTIVITIES MAY INCLUDE EMERGENCY HUMANITARIAN ASSISTANCE, SUPPORT TO REGIONAL INSTITUTIONS, MULTILATERAL ORGANIZATIONS, OR RESEARCH.

15. MATCH ACCOUNTS WITH THE COUNTRY CIRCUMSTANCES AND INTENT THEY ARE DESIGNED TO ADDRESS. CONSISTENT WITH THE PROCESS DEFINED IN PARAGRAPH 11 ABOVE, THE FY 2008 REQUEST SEEKS TO MAXIMIZE THE USE OF ACCOUNT AUTHORITIES IN SUPPORT OF EFFECTIVE IMPLEMENTATION OF FOREIGN ASSISTANCE PROGRAMS. DEVELOPMENT ASSISTANCE (DA), WHICH IS INTENDED TO SUPPORT POOR COUNTRIES THAT DEMONSTRATE PERFORMANCE, DECLINED BY 31% AND HAS BEEN PRIORITIZED TO DEVELOPING AND TRANSFORMING COUNTRIES. ECONOMIC SUPPORT FUNDS (ESF), WHICH FOCUS ON PROVIDING ECONOMIC SUPPORT UNDER SPECIAL ECONOMIC, POLITICAL, OR SECURITY CONDITIONS, INCREASED BY 27% AND HAVE BEEN PRIORITIZED TO SUPPORT ACTIVITIES IN THE REBUILDING AND RESTRICTIVE COUNTRY CATEGORIES. THE COMBINED LEVELS OF DA AND ESF FOR THE THREE OBJECTIVES SUPPORTING LONG-TERM DEVELOPMENT (GOVERNING JUSTLY AND DEMOCRATICALLY, INVESTING IN PEOPLE, AND ECONOMIC GROWTH) INCREASED FROM \$3.7 BILLION IN FY 2006 TO \$3.8 BILLION IN THE FY 2008 REQUEST.

POINTS OF CONTACT AND NEXT STEPS

16. WE RECOGNIZE THAT THE FY 2008 BUDGET REQUEST INCLUDES SIGNIFICANT CHANGES FOR MANY COUNTRIES, AND THAT POSTS ARE SEEKING ASSISTANCE WITH HOW TO COMMUNICATE THESE CHANGES TO HOST GOVERNMENTS AND IN-COUNTRY PARTNERS. THE OFFICE OF THE DIRECTOR OF FOREIGN ASSISTANCE HAS DEVELOPED A WIDE RANGE OF TALKING POINTS AND ANALYSIS FOR EVERY REGION AND A VARIETY OF ISSUES, INCLUDING SIGNIFICANT COUNTRY OR SECTORAL DECREASES AND INCREASES, OUR WORK WITH THE MILLENNIUM CHALLENGE CORPORATION, AND SHIFTS BETWEEN ACCOUNTS. FOR THESE RESOURCES OR QUESTIONS REGARDING ALLOCATIONS FOR INDIVIDUAL COUNTRIES OR FUNCTIONAL AREAS, PLEASE CONTACT THE APPROPRIATE SENIOR COORDINATOR IN THE OFFICE OF THE DIRECTOR OF FOREIGN ASSISTANCE, AS FOLLOWS:

- AFRICA SENIOR COORDINATOR: ANDREW SISSON
- EAST ASIA & PACIFIC SENIOR COORDINATOR: MARCIA WONG
- EUROPE & EURASIA SENIOR COORDINATOR: DAN ROSENBLUM
- NEAR EAST SENIOR COORDINATOR: CHRIS MILLIGAN
- SOUTH & CENTRAL ASIA SENIOR COORDINATOR: MARCIA WONG
- WESTERN HEMISPHERE SENIOR COORDINATOR: CHARLES NORTH
- GLOBAL/REGIONAL SENIOR COORDINATOR: JONATHAN MARGOLIS

POSTS SHOULD ALSO REMAIN IN CLOSE CONTACT WITH THEIR RESPECTIVE BUREAU PLANNERS AND BUDGET OFFICERS, WHO WILL HELP COORDINATE WITH DESK OFFICERS, THE OFFICE OF THE DIRECTOR OF FOREIGN ASSISTANCE, AND FUNCTIONAL BUREAUS AS NECESSARY.

17. SECRETARY RICE BEGAN HER FY 2008 BUDGET TESTIMONY BEFORE CONGRESSIONAL AUTHORIZERS ON FEBRUARY 7 AND TESTIFIED BEFORE APPROPRIATORS REGARDING THE FY 2007 SUPPLEMENTAL REQUEST ON FEBRUARY 16. IN THE COMING WEEKS, OFFICIALS AT STATE AND USAID WILL BE CALLED UPON TO EXPLAIN THIS BUDGET REQUEST.

18. IN A RESOURCE-CONSTRAINED ENVIRONMENT, SUCCESS IN OBTAINING THE FUNDING NECESSARY TO ADVANCE TRANSFORMATIONAL DIPLOMACY WILL REQUIRE WASHINGTON AND THE FIELD TO SPEAK WITH ONE VOICE IN SUPPORT OF THIS INTEGRATED BUDGET REQUEST. THE OFFICE OF THE DIRECTOR OF FOREIGN ASSISTANCE STANDS READY TO PROVIDE ANY GUIDANCE OR RESOURCES NECESSARY TO ADVOCATE FOR OUR SHARED GOALS.

19. MINIMIZE CONSIDERED.
RICE

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